

TO: Members of the Board of Trustees
FR: William E. Sullivan, Treasurer and Chief Financial Officer
DATE: March 26, 2018
RE: Amendment to Authorization Limit on SAP Project

The SAP Project includes three separately managed but interdependent components, covering General Ledger Transformation, Human Capital Management (HCM) Transformation, and Enterprise Asset Management (EAM) Transformation.

The purpose of this memorandum is to seek an amendment to the original authorizations for the SAP Project granted by the Board of Trustees at its stated meeting held on October 14, 2016. The original estimate of project implementation costs has increased by \$8.5M, principally due to unexpected costs in support of training and organizational change management (\$1.3M), unforeseen complexities in data conversion (\$1.3M), costs associated with the delayed roll-out of the projects (\$5.3M), and \$500,000 of other costs.

The table below shows the requested increase in the cost authorization compared to the original approval, together with an update on the expected recurring annual savings we expect to realize as a result of the project. Relative to the projected savings, it is noteworthy that through our business process reviews to-date, we have captured \$10.3M of non-recurring cash and \$6.3M of recurring annual savings.

Project Cost and Funding:

	Amended	Original
Estimated Total Project Cost*	\$33,500,000	\$25,000,000
Recurring Annual Savings Target	\$8,400,000 – \$12,000,000	\$7,500,000 - \$10,000,000
Payback Period (Years)	3.3 – 2.6 Years	3.6 – 2.5 Years
Net Present Value of Savings at Low-End	\$25.2M	\$21.1M

*Sources of Funds: Treasurer’s Reserves

- c: Chairman Mike Berghoff
- President Mitch Daniels
- Provost Jay Akridge
- Treasurer Bill Sullivan
- Corporate Secretary Janice Indrutz
- Legal Counsel Steve Schultz

**Resolution Concerning Amendment to
Authorized Implementation Cost Level for
SAP Project**

WHEREAS, by a resolution duly adopted at its stated meeting held on October 14, 2016 (the "Original Resolution"), the Board of Trustees (the "Board") of The Trustees of Purdue University previously approved a business process re-engineering project identified as the "SAP Project" at the Purdue University West Lafayette campus; and

WHEREAS, as a result of various expanded training activities, organizational change management issues and scope and timeline adjustments that have occurred during the project to date, some implementation costs are expected to increase; and

WHEREAS, having considered and discussed not only these expected cost increases but also the greater amount of recurring annual savings that the project is expected to yield, the Board desires to increase the Authorized Implementation Cost Level for the project as set forth in the Original Resolution:

NOW, THEREFORE, BE IT RESOLVED by the Board that the Authorized Implementation Cost Level for the SAP Project is hereby increased to \$33,500,000; and

RESOLVED, FURTHER, that, except as modified hereby, the Original Resolution, including all authority granted therein with respect to the SAP Project, remains in full force and effect.